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*Of Attorneys for Debtors-in-Possession*

UNITED STATES BANKRUPTCY COURT

DISTRICT OF OREGON

In re:

LEVEL 3 HOMES & DESIGN, LLC,

and

HEIRLOOM, INC,

Debtors.

Bankruptcy Case Nos.

20-30271-tmb11 (Lead Case)

20-30272-tmb11

Jointly Administered

EMERGENCY MOTION TO  
VOLUNTARILY DISMISS CASES

Debtors in Possession, Level 3 Homes & Design, LLC (“**Level 3**”) and Heirloom, Inc. (“**Heirloom**”) (together, the “**Debtors**”), by and through undersigned counsel and pursuant to 11 U.S.C. § 1112(b), requests that the Court dismiss the above-captioned bankruptcy case on an expedited basis before the twenty-one day notice period has elapsed (separate motion to shorten time to be filed). In support of this motion, Debtors state and represent as follows:

**BACKGROUND**

1. January 27, 2020 (the “**Petition Date**”), Debtor Level 3 Homes & Design, LLC filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code, Case No. 20-30271-tmb11 (the “**Level 3 Case**”).

2. That same day, Debtor Heirloom, Inc. filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code, Case No. 20-30272-tmb11.

3. On March 12, 2020, the Court entered an Order directing the joint administration of the two Debtors' bankruptcy cases, and designated the Level 3 Case as the lead case in which the majority of documents and pleadings should be filed.

4. Debtors are operating their businesses and managing their affairs as debtors in possession pursuant to 11 U.S.C. §§ 1107 and 1108. No trustees, examiners or statutory committees have been appointed in either of the two cases.

5. Level 3 is an Oregon limited liability company, and Heirloom is an Oregon corporation. Both entities have been operating as if they had merged their companies prior to the Petition Date. The Debtors operate out of one single location in North Portland.

6. The economic slowdown in March and April delayed the Debtors' ability to complete and deliver homes. Debtors attribute this to two things. First, Debtors were required to implement social distancing measures at their facility, so that employees could continue manufacturing tiny homes safely. Second, delivery of construction materials was delayed, due to layoffs or social distancing-related delays experienced by many of Debtors' vendors.

7. Delays significantly impact the Debtors' operations, as Debtors continued to incur payroll expenses during the slowdown. Debtors have taken steps to reduce their payroll expenses as much as possible, but Debtors do not anticipate resuming normal operations for some time.

8. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136 was signed into law, to provide economic relief in the midst of the Coronavirus pandemic. Among many other things, the CARES Act provides for the provision of

forgivable loans to small and mid-sized businesses in order to permit those businesses to continue to pay employees.

9. The first phase of funding associated with the CARES Act dried up immediately. To provide further relief, new funding was approved and signed into law on April 24, 2020.

10. However, Title IV, Section 4003(c)(3)(D)(V) of the CARES Act mandates that any business receiving such forgivable loans certify that “the recipient is not a debtor in a bankruptcy proceeding[.]” The application form for such forgivable loans also contains a place for applicants to make a similar certification.

11. Having reviewed the applicable provisions of the CARES Act, Debtors believe that, other than being in bankruptcy, they otherwise meet the qualifications to receive a forgivable loan under that law, and therefore wish to apply for and receive a forgivable CARES Act loan in the amount of approximately \$225,000 to pay for payroll expenses. Debtors believe that obtaining a CARES Act loan will provide the best opportunity for the Debtors to repay their creditors.

12. Based on the posture of this case, Debtors believe it is in the best interest of creditors for this case to be dismissed in order to permit Debtors to access significant forgivable credit under the CARES Act. Dismissal will not unfairly prejudice other parties in interest.

13. Therefore, through this motion, Debtors seek the immediate dismissal of both of the above-referenced chapter 11 cases.

### **BASIS FOR RELIEF REQUESTED**

14. The Bankruptcy Code permits a party in interest, such as the Debtors in these cases, to seek dismissal of a bankruptcy case for cause, provided it is in the best interest of creditors, 11 U.S.C. § 1112(b). Debtors submit that, under these very peculiar circumstances, it

is in the best interests of creditors to permit the Debtors to voluntarily dismiss this case in order to access a forgivable CARE Act loan to pay employees and other operating expenses.

WHEREFORE, the Debtors respectfully request the Court dismiss the above-referenced chapter 11 cases, and grant and further relief as the Court deems just and equitable.

DATED: May 4, 2020

MOTSCHENBACHER & BLATTNER LLP

/s/ Nicholas J. Henderson  
Nicholas J. Henderson, OSB No. 074027  
Of Attorneys for Debtor

CERTIFICATE OF SERVICE

I hereby certify that on the date set forth below, a true and correct copy of the foregoing **DEBTORS' EMERGENCY MOTION TO DISMISS CASE** was provided to the following parties through the Court's Case Management/Electronic Case File system:

- MATTHEW A ARBAUGH matt@arbaugh-law.com
- CONDE T COX conde@lawofficeofcondecocox.com, trish@lawofficeofcondecocox.com
- JOSEPH A FIELD joe@fieldjerger.com, jenny@fieldjerger.com
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- RICHARD J PARKER rjp@pbl.net, wlt@pbl.net
- US Trustee, Portland USTPRegion18.PL.ECF@usdoj.gov

I further certify that on the date set forth below, a true and correct copy of the above-described document was sent to the following parties via first class mail, postage prepaid:

- NONE

DATED: May 4, 2020

MOTSCHENBACHER & BLATTNER LLP

/s/ Nicholas J. Henderson  
Nicholas J. Henderson, OSB No. 074027  
Of Attorneys for Debtor